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Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-05 CEA-01 L-03 /121 W
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P R 281618Z NOV 77
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC PRIORITY 4113
INFO AMCONSUL BELIZE
AMEMBASSY BOGOTA
AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMEMBASSY GEORGETOWN
AMEMMBASSY KINGSTON
AMEMBASSY LONDON
AMEMBASSY MEXICO
AMEMBASSY NASSAU
AMEMBASSY OTTAWA
AMEMBASSY PARAMARIBO
AMEMBASSY PARIS
AMEMBASSY PORT AU PRINCE
AMEMBASSY PORT OF SPAIN
AMEMBASSY SAN JOSE
AMEMBASSY SANTO DOMINGO
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
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TAGS: ECON, XL

SUBJ: CARIBBEAN COOPERATION -- TODMAN VISIT TO BARBADOS

1. SUMMARY: DURING HIS VISIT TO BARBADOS AMBASSADOR TODMAN DISCUSSED THE CARIBBEAN INITIATIVE WITH SENIOR MINISTERS AND OFFICIALS, AND WITH LEADERSHIP OF CARIBBEAN DEVELOPMENT BANK.

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OTHER MEMBERS OF PARTY MET WITH
REPRESENTATIVES OF CANADIAN AND BRITISH AID AGENCIES
AND INTERNATIONAL LENDING INSTITUTIONS (IDB, OAS,
EC, AS WELL AS CDB) BASED IN BARBADOS. BARBADIANS EX-
PRESSED STRONG SUPPORT FOR COOPERATION EFFORT, STRESSING
IMPORTANCE OF "ADDITIONALITY" IN TOTAL AID SUPPLIED, NEED
FOR INCREASED BOP AND LOCAL COST SUPPORT IN REGION, AND
IN THEIR OWN CASE, NEED FOR BILATERAL ASSISTANCE IN
CERTAIN SECTORS. GOB WILL SEND MINISTERIAL-LEVEL REPRE-
SENTATION TO DECEMBER 14-15 MEETING AND HOPES THAT SOME
COORDINATION OF CARIBBEAN VIEWS CAN BE ACHIEVED BEFORE
THAT DATE. END SUMMARY.

2. MEETING WITH MINISTERS AND SENIOR OFFICIALS.

AMBASSADOR TODMAN LED OFF BY DESCRIBING THE NEW AMERICAN
INTEREST IN THE CARIBBEAN AND THE CURRENT STATE OF PLAY
OF THE DEVELOPMENT INITIATIVE. IN RESPONSE, MINISTERS
REITERATED THEIR FULL SUPPORT FOR THE EFFORT. THEY WERE
NEVERTHELESS HIGHLY CRITICAL OF WORLD BANK AND IMF
LENDING CRITERIA. A SMALL COUNTRY LIKE BARBADOS, THEY
MAINTAINED, IN EFFECT IS PENALIZED FOR MANAGING ITS
AFFAIRS REASONABLY WELL. BARBADOS HAS BEEN ABLE TO
QUALIFY FOR NEITHER WORLD BANK ASSISTANCE NOR FOR ANY
OF THE U.S. BILATERAL PROGRAMS. MOREOVER, THEY SAID,
U.S.LOANS TO CDB AT CONCESSIONAL INTEREST
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RATES ARE PASSED ON TO ULTIMATE USERS AS EXORBITANT RATES.
THEY URGED THAT A CLOSE LOOK BE GIVEN TO QUESTION OF
BOP SUPPORT AND LENDING CRITERIA DURING PROCESS OF SET-
TING UP CARIBBEAN GROUP. ONE OFFICIAL ARGUED, FOR
EXAMPLE, THAT A POLICY OF DEFLATION, IMPOSED BY LENDING
INSTITUTIONS, NOT ONLY WAS VERY DIFFICULT POLITICALLY
FOR THESE SMALL COUNTRIES, BUT IN FACT HITS PRIVATE SECTOR
HARDER THAN PUBLIC SECTOR SINCE LATTER HAS GREATER RECOURSE
TO FUNDING. MAJOR ADVERSE IMPACT OF JAMAICAN IMPORT
RESTRICTIONS ON REST OF CARICON WAS ALSO REPEATEDLY CITED
IN THIS REGARD. FOREIGN MINISTER FORDE STRESSED THAT
CURRENT ECONOMIC PROBLEMS IN THE REGION POSED A REAL
THREAT TO DEMOCRATIC STRUCTURES.

3. CDB. PRESIDENT DEMAS REAFFIRMED CDB WILLINGNESS TO
PLAY A LEADING ROLE IN THE CARIBBEAN GROUP. AFTER RE-
VIEWING LONGER-TERM DEVELOPMENT NEEDS IN AREAS OF AGRI-
CURLTURE, PRODUCTIVE INVESTMENT AND REGIONAL COOPERATION,
HE SAID THAT MOST PRESSING IMMEDIATE NEED WAS FOR ASSIS-
TANCE TO COVER BOP AND LOCAL COST SHORTFALLS. BOP DIF-
FICULTIES, HE SAID, WERE UNDERMINING CARICOM COOPERATION
AND COULD DESTRY IT IF SOLUTIONS WERE NOT FOUND. HE

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THOUGHT THAT RISE IN OIL PRICES HAD SET IN MOTION STRUC-
TURAL CHANGES WHICH REQUIRED A NEW APPROACH TO BOP SUP-
PORT. SUCH SUPPORT SHOULD BE EXPANDED TO INCLUDE MORE
WORLD BANK-TYPE PROGRAM ASSISTANCE.

4. AS FOR PRECISE CDB ROLE IN CARIBBEAN GROUP, DEMAS
SAID THAT ON SECOND THOUGHT CDB DID NOT WISH TO TAKE
ON RESPONSIBILITY FOR ADMINISTERING MEDIUM-TERM BOP
SUPPORT (AS SUGGESTED IN ITS PAPER PREPARED FOR DECEMBER
MEETING). IT WOULD LEAVE THAT TO IMF. CDB, HOWEVER, WAS
PREPARED TO MANAGE FUNDS ESTABLISHED TO FINANCE PRODUC-
TIVE INVESTMENT AND REGIONAL COOPERATION. WHEN ASKED IF
CDB HAD FOUND WAY TO GET AROUND LEGAL PROBLEM OF PARTI-
CIPATION BY NON-MEMBERS, I.E., HAITI AND DOMINICAN
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REPUBLIC, HE REPLIED IN NEGATIVE. ANY FUNDS RUN BY CDB
WOULD BE OPEN TO CDB MEMBERS ONLY UNLESS CDB CHARTER
COULD BE AMENDED WHICH WOULD BE DIFFICULT TO DO. THE
PROSPECTS OF HAITI AND DR BEING ACCEPTED AS MEMBERS WERE
"QUITE DIM" IN FORESEEABLE FUTURE SINCE THEIR TOTAL
POPULATION WAS DOUBLE THAT OF PRESENT MEMBERSHIP. DEMAS
SUGGESTED THAT U.S. AND OTHER DONORS WORK OUT SEPARATE
FUNDING ARRANGEMENT FOR ANY HAITIAN OR DR
PARTICIPATION IN COOPERATIVE PROJECTS WITH CARICOM MEM-
BERS. US SIDE REPLIED THAT A VERY IMPORTANT ELEMENT IN
THE NEW COOPERATIVE APPROACH WAS TO PROVIDE OPPORTUNITIES
FOR HAITIAN AND DR COOPERATION WITH THEIR NEIGHBORS AND
FOR PARTICIPATION IN JOINT PROJECTS, AND THAT A WAY MUST
BE FOUND TO MAKE THAT POSSIBLE. IT WAS AGREED THAT THIS
ASPECT REQUIRED FURTHER STUDY.

5. MEETING WITH DONOR REPRESENTATIVES.

MAJOR POINTS MADE BY REPS WERE:

A) PROGRESS TOWARD REGIONAL COOPERATION WILL BE DIFFI-
CULT AND SLOW; B) SMALL "LDC" ISLANDS SHOULD CONTINUE
TO BE DEALT WITH SEPARATELY OR AS A SUB-GROUPING-
C) MUCH MORE STESS MUST BE PLACED ON INDUSTRIAL DE-
VELOPMENT, PARTICULARLY BY THE PRIVATE SECTOR. REGARDING
LAST MENTIONED, ALL AGREED THAT FAR TOO LITTLE WAS BEING
DONE TO PUBLICIZE ADVANTAGES OF PRODUCTING IN REGION
AND THUS OBTAINING DUTY-FREE ENTRY INTO EUROPEAN MARKETS
(UNDER LOME CONVENTION). SOME REPS WERE SKEPTICAL,
TO SOME DEGREE, OF CDB'S ABILITY TO ASSUME SUBSTANTIALLY
GREATER ADMINISTRATIVE RESPONSIBILITIES. PROBLEM OF
MEMBER COUNTRY ATTITUDES TOWARD CDB, E.G. TRINIDAD'S,
WAS ALSO MENTIONED. ON OTHER HAND, CARICOM'S SMALL
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CARIBBEAN INVESTMENT CORPORATION WAS GIVEN HIGH MARKS FOR ITS PERFORMANCE IN LDC ISLANDS. SEVERAL REPS THOUGHT POSSIBILITY SHOULD BE EXPLORED IN CARIBBEAN GROUP FRAMEWORK OF CHANNELLING SUPPORT TO CIC FOR INVESTMENT ASSISTANCE IN LDC ISLANDS, WITH PRODUCTIVE INVESTMENT EFFORT IN LARGER CARICOM COUNTIES AND IN HAITI AND DR BEING LED BY IFC OR AN IFC-TYPE FACILITY SET UP UNDER IFI GUIDANCE.
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Message Attributes

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